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Jenny Nyberg, Jerry Fruin and Dan Halbach

Department of Agricultural and Applied Economics

Minnesota Sea Grant College Program

University of Minnesota
Institute of Agriculture, Forestry and Home Economics
St. Paul, Minnesota 55108

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INTRODUCTION

U.S. competitiveness in world markets requires an efficient port system capable of responding to shifts in worldwide shipping demands. In the past, local ports and the federal government have shared responsibility for the maintenance and development of U.S. harbors and navigable channels to meet these demands. Local port authorities, state agencies and/or the private sector have tended to assume responsibility for developing and operating marine terminal facilities while the federal government through the Army Corps of Engineers developed, operated, and maintained ports and navigable channels on a cost free basis. The availability utilization of national ports and harbors on a cost free basis benefitted the waterborne freight industry and enhanced its economic position relative to other transport modes.

Major policy debates in the early 1980's focused on U.S. ports and their adequacy to meet the nation's present and future needs. After five years of debate, in November 1986, Congress passed the Waterway Resources Act of 1986. This established a .04 percent ad valorem tax on all cargo passing through the port system. The U.S. Customs Service implemented this tax in April 1987. The act is causing fundamental changes in the traditional relationship between the federal government and the water freight industry.

This policy change to user fees to help share the costs of operation and maintenance of U.S. harbors and navigable channels is a highly debated and controversial issue. The specific legislation changing how the nation's ports are maintained and operated represents an initiative to

develop a definitive U.S. port policy which is more equitable and efficient.

This paper will briefly present the history of the U.S. port policy and the role of the Army Corps of Engineers. The major part of this paper will discuss the economic rationale for levying a user fee and the legislative impetus behind the recently enacted user fee scheme for U.S. harbors and navigable channels. The relationship between the public and private interests will be explored by presenting both opponent and proponent viewpoints of the user fee debate.

HISTORICAL BACKGROUND: U.S. PORT POLICY AND THE ARMY CORPS OF ENGINEERS

The evolution of the U.S. port policy system demonstrates the lack of a consistent, long-term national port policy. Although the U.S. has a long history of federal participation in transportation matters, U.S. national port policy can essentially be thought of as a social contract between the federal government and the ports.

This social contract predates the Civil War and has constitutional precedent. Prior to 1824, state and local agencies generally paid for river and harbor improvement through congressional authorization to levy tonnage duties on local shipping. Direct federal involvement in the maintenance and construction of ports was initiated in 1824 by the General Survey Act. Congress made its first appropriations for river and harbor improvements within the same year. The need for a national planning organization for river and harbor management and maintenance was apparent. The Army Corps of Engineers was originally advocated by President James Monroe because of its technical and engineering expertise. Congress, however, rejected the idea of having an executive agency like the Corps

take national responsibility for harbor and river project planning. Congress thus established a pattern of authorizing and funding port projects for the Corps on a case by case basis that continued for 150 years. As the Marine Board stated:

> "...despite general agreement on the need for national projects, Congress after 1838 never reached a consensus on the scope of the rivers and harbors improvements, the appropriate criteria for distinguishing between national and local projects, and the exact constitutional basis of its power to appropriate funds for these improvements... Simply stated, the basic framework of relationships and issues among the Corps, Congress, the President, and local and national interests was established prior to the Civil War and survives in a surprisingly recognizable fashion today." (Marine Board, 1983, p. 7)

ARMY CORPS OF ENGINEERS AND CONGRESS

The Army Corps of Engineers today has responsibility for the construction and maintenance of ports and channels in addition to its function of port development. The Corps' specific responsibilities are twofold. One, the Corps fixes harbor area lines and establishes the limits to which wharves, piers and other works can extend into navigable waters by requiring federal permits. Two, the Corps grants permits for the use and occupation of federal works under jurisdiction of the Corps. The Corps provides operation and maintenance services without reimbursement, essentially financed by the taxpayer from the U.S. Treasury.

Port projects are approved by independent Congressional actions on an annual project specific basis. As noted earlier, this special budgetary relationship between the Corps and Congress has existed for over 150 years. The Army Corps essentially follows Congressional mandates, with the President having only limited control over these activities.

The Army Corps of Engineers is the only major federal executive agency currently receiving year-to-year funding appropriations for multi-year construction projects. The usual funding approach used for most federal executive agencies for major construction projects on the federal level is full funding. The full funding type of appropriation puts the entire cost of a construction project in a single annual budget. Full funding enables the executive agencies to exercise more authority and greater discretion to reapportion funds independently of Congress. On the other hand, project specific, annual funding results in a tight budget relationship between the Corps and Congress. It also provides the Corps great independence from the normal executive budget decision-making process.

Congress benefits from the annual project specific funding in two ways. First, "year-to-year" funding tends to conceal the long-run effects of budgetary decisions. It had been estimated that as much as 95 percent of the Corps' budget represents cumulative spending obligation" (Marine Board, 1983, p. 8). Second, the funding approach used to make the appropriations to the Corps leaves detailed control of the funding process in the hands of Congress. Thus, individual Congressional representatives and senators can exercise much control over the success of specific projects. Because many projects are initiated on a local level by individual congressional representatives, the success of a particular port project depends on the capability of the specific representative to negotiate with his/her peers in a vote trading process for each other's projects called logrolling. "Individual ports thus develop tight links both to the local Corps districts and to their Congressional

representatives in promoting new construction. These represent micropolitical systems organized around individual ports" (Marine Board, et al., 1985, p. 21). Thus, the Corps implements river and harbor improvements that are not developed within the context of a long-range, internodal transportation plan, but out of the logrolling capabilities of individual representatives and the subsequent pork barrel tradeoffs for site specific projects.

The special relationship between the Corps and Congress has been criticized for almost as long as the relationship has existed. There are three main criticisms of this relationship which are also crucial elements in understanding the policy debate surrounding the user fee issue. First, the annual, project-specific funding system used by Congress for the Corps' projects depends on extensive logrolling among many interests. This process essentially eliminates executive control over the Corps' budget. As a result, the executive branch is limited to using arguments such as budget shortfalls or funding shortages for leverage to assert control over Corps appropriations.

The second criticism is the lack of a national plan for ports. The system makes no distinction between ports of national or local value. The Congress, the Executive and the Corps have traditionally failed to reach a consensus on a national port policy. The third criticism concerns the relationship between individual ports and Congress. For many Congressional representatives initiating and subsequently passing a new waterway project is direct and physical evidence that they are working for their constituencies in their respective local districts. These relationships reflect the sectional favoritism and lexicographic preferences of

Congressional representatives. Furthermore, the direct relationship that individual ports maintain with the Corps and Congress through adept lobbying efforts seems to result in funds for projects which cannot be justified economically.

WHY LEVY USER FEES ?

Every administration since Franklin Roosevelt has advocated some type of port user fee in order to pay for the operation and maintenance services the Army Corps of Engineers provides. Why then was the user fee first enacted under the Reagan Administration?

The reasons for the implementation of a user fee during the 1980's under Reagan are both economic and political in nature. These reasons represent the culmination of political and economic changes in the U.S. that forced the development of the first definitive executive stance on the user fee issue.

One reason is the changing role of the U.S. in the world economy. Foreign commerce increased at an average annual rate of 3.9 percent between 1972 and 1981. At the same time, total cargo (both foreign and domestic), passing through the port system increased at an average annual rate of 3.2 percent. Total shipping tonnage through the ports has risen at an annual rate of approximately 3 to 4 percent since 1978. (Congressional Budget Office, 1983, p. 22). The character of U.S. imports and exports has also changed over the last twenty years. This change can explain in part the annual tonnage increases passing through the port system. In the 1950s and 60s, the U.S. was a major exporter of mass produced industrial goods. Now U.S. exports have come to be dominated by bulk commodities such as coal and grains (which require specialized terminals) and by highly technical goods

like computers which are shipped in containers and bypass traditional port terminals. In response to the accelerating oil prices of the 1970's, nations began to seek alternative energy sources. The U.S. provided an energy substitute with its large and readily available coal reserves. This resulted in a short-lived coal export boom during 1980 to 1982 which put great pressure on U.S. coal ports.

Thus, as shipping activity increased through U.S. ports, pressure on the federal government to provide deeper and improved navigable channels and ports increased. The changing nature of U.S. international trade showed an increasing need for deep draft ports that could accommodate larger ships carrying coal and grain exports.

The Corps received a number of structural shocks during the early 1970's which contributed to a virtual standstill in Corps funding and new project allocations. Congress was no longer able to reach decisions on major new waterway projects. The factors contributing to this impasse can be summarized as follows.

The Corps experienced a fundamental change in its structural environment during the 1970's due to heightened public concern with the environmental consequences of Corps activities such as maintenance dredging. Congress passed several pieces of legislation mandating a number of federal agencies to initiate and enforce environmental regulatory programs. This resulted in a complex new system of permits and mandated the Corps to complete assessment studies describing the environmental consequences of their proposed port projects. Furthermore, citizen groups, federal agencies and others lobbying for environmental concerns became active participants in the port project decision-making process.

Discretionary federal funding became the subject of intense scrutiny during the same time period. Public concern over the increasing deficit grew. Public expectations for the amount of governmental services exceeded the fiscal capacity of the government to meet those expectations. The result was essentially a stalemate in Corps funding. The funding stalemate, more complex operation and maintenance regulations, and tightened federal expenditures combined to create 15- to 20-year-long delays in the actual implementation of harbor dredging or new construction programs. Thus, by the 1980's, the project specific, year-to-year funding approach combined with the lack of a national port policy left the U.S. with no established framework for prioritizing public works projects as to national or local value.

The Reagan Administration initiated legislation establishing a port user fee system early in its first term. The Administration believed that additional port capacity was essential to U.S. economic well-being. At the same time, the Administration was seeking to reduce its governmental role in the economy with the significant exception of national defense. Thus, the "rationale behind the Reagan Administration's initial push for a user fee proposal was that it would allow nationally important port construction to be undertaken, and ensure equity and efficiency. That is, those who benefit pay, thus equity is achieved; only those projects that can pay their own way are carried out, thus efficiency is achieved" (Marine Board, et al., 1985, p. 23).

DEFINITION OF A USER FEE

A user fee is a form of payment required from a particular individual or group in return for services provided. They are a means by which

governments can raise revenue by directly linking the cost of a public good or service with its beneficiaries. User fees are not new in concept or application. Hunting licenses, postage stamps and building permits are all types of user fees. Government at all levels in the U.S. have made a broad base move towards the establishment of user fees in the face of growing budget and fiscal uncertainty.

User fees have played a substantial role in the transportation industry. User fees provided almost one half of the $23.3 billion spent by the federal government on transportation during 1982 (Marine Board, et al., 1985, p. 65). An excise tax provides revenues for the Highway Trust Fund. A fuel tax levied on barge operators has been providing revenues from the Inland Waterway Trust Fund since 1980. Taxes on passenger tickets and other items provide revenues for the Airport and Airway Trust Fund. All of these taxes are forms of user fees and aid in recovery of the federal cost of subsidizing the specific programs. Until the recent passage of an ad valorem tax on cargo movements, the federal government provided a 100 percent subsidy to deep-draft port and harbor operation and maintenance.

In the context of this paper, we can define a user fee by first identifying the direct beneficiaries of the public service: cargo shippers. The public service provided is operation and maintenance of deep draft ports and harbors by the Army Corps. U.S. Treasury revenues are the sole source of support for the services such as dredging which the Corps provides. The federal government has traditionally assumed 100 percent of the program cost responsibility. Therefore, a user fee established to pay for deep draft port operation and maintenance would tax the cargo shipping industry in order to recover a certain percentage of program costs.

ECONOMICS OF USER FEES

User fees theoretically enhance the equity and efficiency of providing a service. User fees can be considered a unit price for a government good. Those who benefit directly from the provision of the public service pay a total price based on their consumption, while those who receive no direct benefit from provision of the good do not pay.

ADVANTAGES OF USER FEES

This section will discuss some of the theoretical claims as to the advantages of user fees. Broadly stated there are three distinct advantages: (1) increased economic equity; (2) increased economic efficiency; and, (3) a source of cost recovery reducing the need for subsidy from general revenues.

In theory, user fees are equitable in that the financial burden of a special interest program is shifted from the taxpayer to those who benefit directly from the subsidized program. In practice, however, the equity formula should take into account the beneficiary's ability to pay. Furthermore, economic efficiency is also advocated as an advantage of a user fee system. User fees provide the public sector with a market environment in which to make allocation decisions. Thus, when marginal cost is equated with marginal benefits, economic efficiency exists.

The Marine Board in 1983 also postulated some additional theoretical claims as to the advantages of implementing a user fee scheme which deserve some emphasis. Consider the claims that user fees reduce rent-seeking behavior, improve public sector investments and reduce tax burdens. First, reducing rent-seeking behavior through public prices for Corps services

decreases the wasteful diversion of resources. For example, the amount of time and money invested in lobbying efforts used to influence politicians and gain their approval for new projects would be reduced. In other words, as soon as cargo shippers have to carry some of the cost burden, resource waste decreases. Second, prices which are based on full costs reduce the pressures for unnecessarily expanding government services and in turn improve public sector decision making and finance. Third, tax burdens are reduced. A user fee scheme shifts the cost of the programs from the general taxpayer to the direct beneficiaries. Thus, the implementation of user fees enables more general tax dollars to be utilized for financing more widely valued government services such as transfer payment programs (Marine Board, 1983, p. 19).

There are of course more practical matters to be considered when discussing the implementation of a user fee scheme. In practice, theoretical claims as to the advantages of user fees are subject to political, technical and financial realities. These realities serve as constraints which hinder the practical application and establishment of a user fee scheme.

ISSUES IN APPLICATION OF PORT USER FEES

Port interests in the early 1980's realized that some type of port user fees scheme was inevitable given the Reagan Administration's push for reduced federal deficits and reduction of the role of the federal government in the U.S. economy. Thus the question was no longer whether or not user fees would be implemented, but rather what type of user fee scheme would be utilized.

> In practice, establishing systems which achieve the stated benefits of user fees has turned out to be extremely difficult. In the case of port dredging, some interests simply reject the notion that standards such as efficiency and equity should be applied. Quite clearly, efficiency and equity standards applied in any pure form would have the result of closing certain ports. Where user fees threaten the existence of a port, efficiency and equity arguments have little appeal (Marine Board, et al., 1985, p. 66).

There are many issues which complicate the implementation of a user fee plan. Simplistic arguments of efficiency and equity most often do not hold in the real world. The more pragmatic questions regarding user fees must be answered utilizing political, technical and financial complications as foundations for the decision making process.

Should the fee system be port specific or a nation-wide uniform fee? How will smaller ports fare versus larger ports? Who are the direct beneficiaries of deep draft port operation and maintenance? The above are but a few of the questions a user fee scheme must answer in its implementation. A brief discussion of these issues is summarized below.

The beginning of this discussion emphasizes the inherent physical characteristics of U.S. ports and navigable channels. Some ports have a natural deep draft advantage and require less maintenance than others. For these ports, any kind of user fee is opposed, but in particular, a nationwide, uniform user fee. In effect, ports with lower operation and maintenance costs do not want to subsidize high cost ports. Furthermore, a nationally uniform fee would not fully justify the basic rationale behind user fees which implies that those who benefit from the public service should pay for that service.

Port specific fees would seem to be the most equitable and efficient. Ports which have low maintenance cost and high volume would not have to

subsidize high maintenance cost, low volume ports. The costs for dredging and other maintenance would be directly apportioned to actual usage amounts. However, a port specific fee scheme might create a substantial trade diversion from low volume, high cost ports to high volume, lower cost ports. This trade diversion would occur as shippers and the private sector would shift their waterborne traffic to the lower cost ports which would probably be high-volume ports. Larger volume, low-cost ports would pay lower user fees due to the lower actual cargo costs than smaller, low volume ports. Thus, the cost of shipping through large ports would eventually undercut the smaller ports shipping cost even more than they do now. Subsequently, specific ports and their respective hinterlands would suffer from trade losses and port closings as the consequences of market forces unfold.

Thus, port-specific fees would seem to be politically impossible to implement due to the close ties maintained between local ports, their respective Congressional representatives and Congress as a whole. Ports can have influence beyond the standards of efficiency and equity, even beyond their national economic contribution. In other words, ports can have influence through the strengths and weaknesses of the individual representatives in Congress.

The question of who directly benefits and in turn who should pay the user fees must also be addressed. Cargo shippers are most obviously the direct beneficiaries of port dredging. But are they the only beneficiaries of port maintenance? The answer is no. Foreign customers benefit from harbor subsidies. The user fee concept is centered around the identification of the users of a publicly provided service. Shipping

interests are charged for dredging, while in actuality there are many other beneficiaries. For example, some studies have shown that railroads, coal exporters and businesses in mining regions are also beneficiaries of deep draft harbor maintenance. Other economic analyses suggest that regional economies may benefit from deeper ports due to multiplier effects generated by an efficient port system capable of servicing greater numbers of large carriers. Therefore, identifying only one group of direct beneficiaries for port maintenance is extremely difficult in an interdependent and complex economy like that of the U.S.

MOST RECENT LEGISLATION

The 99th Congress passed into law the Waterways Resources Development Act (H.R. 6) in November 1986. The passage of this act was the product of more than four years of divisive debate, with significant input from the Reagan Administration and considerable negotiation between the House of Representatives and the Senate. The user fee scheme was the subject of more than twelve proposed bills in both the House and Senate in the 97th Congress alone. Thus the passage of H.R. 6 represents a significant compromise between all interests involved and is the first major waterways legislation to be enacted in over 15 years. Michael Strachn, Chief of the Legislation Coordination Branch of the Army Corps of Engineers made the following statement in October 1986 during a presentation to the Transportation and Competitiveness Symposium sponsored by the USDA-ERS:

> "H.R. 6 creates a new partnership between the Federal Government and the port community in the area of paying for future port construction and continued operation and maintenance of port channels. Whereas in the past the government has assumed most of the cost of new port development, H.R. 6 recognizes that this approach simply cannot continue in view of budgetary

constraints and the growing consensus that those who benefit from Federal projects should help pay for them."

H.R. 6 is a comprehensive piece of legislation which significantly alters the manner in which harbor and waterway projects are funded. The $16.3 billion, five-year package includes the imposition of a port user fee and creates new cost-sharing provisions with local interest which will decrease federal outlays for harbor maintenance and new projects. The act authorizes $16 billion for more than 300 projects--including 43 harbor projects and seven inland waterway projects. Government funding would only provide $9 billion of the authorization. The $7 billion difference will be accounted for through cost-sharing provisions and user fees (Waster, 1986, p. 10).

The cost-sharing formulas and the established .04 percent ad valorem port user fee deserve special emphasis within the context of this paper. Although the legislation addressed every aspect of the Corps water resources program from flood control and hydroelectrical power to commercial navigation, only the above mentioned cost-sharing formulas and the port user fee will be explored. The cost-sharing provision of the act requires that local interests and the private sector develop a partnership with the Federal Government. This partnership is based on new cost-sharing rules in which the future costs of harbor, port and waterway construction projects are shared. These future costs are based on the port depth of individual new projects. The cost-sharing provisions require non-Federal interests to pay for new port construction based on formulas as summarized below.

Ports and/or local interests are required to pay a fixed percentage of the construction costs for new harbor projects under the bill. These costs

are based on incremental project depth: 10 percent for channels and ports with depths up to 20 feet; 25 percent for depths between 20 and 45 feet; and 50 percent for depth greater than 45 feet. These provisions apply to ports in which a construction contract had not been granted before enacting the law. Furthermore, over a period of up to 30 years, an additional 10 percent of the cost of navigation facilities must be paid. The repayment would be reduced by the amount of expenditures on all utilities relocations paid by local ports (Strachn, 1986, p. 2).

The second aspect of H.R. 6 to be discussed is the user charge. The legislation establishes a .04 percent ad valorem tax. This tax is a four cent charge levied on every $100 worth of freight value of commercial cargo loaded or unloaded at U.S. ports. The revenue raised from the user charges will be put into a Harbor Maintenance Trust Fund. The monies from this fund will be used to partially offset the Army Corps costs of port and channel operation and maintenance. The user fee is expected to raise about $120 million annually for port dredging and improvements.

There were many user fee schemes proposed before Congress and other port interests. So why was an ad valorem tax implemented? An ad valorem tax was enacted because it tends to favor small ports which are numerous and have political influence. Ad valorem fees for larger ports on the other hand tend to overcharge liners and containerships which ship high value cargo, but do not need a channel depth level of 45 feet or greater.

DEBATE ON THE USER FEE ISSUE AND THE SUBSEQUENT APPROVAL OF H.R. 6

The interests involved in the debate over H.R. 6 and the enactment of a user fee were both numerous and diverse. This section will briefly discuss the conflicting interests and some opponent/proponent viewpoints as

to the user fee scheme. An example of how one Congressional Committee appointment and how the power leverage inherent in that Committee affected H.R. 6 will follow.

The most general and divisive conflict of interests over the implementation of a user fee was between the ports. Ports of differing sizes and shipping patterns realized that one type of user fee scheme would cost them less than another. The shippers of bulk commodities, categorized by high volume, low value cargo advocated the ad valorem based tax whereas high value, low tonnage shippers sought a per ton tax. Specific ports such as Duluth-Superior favored an ad valorem tax, while ports like New York pushed a tonnage based charge. Why? Obviously the differing commodity flows through these two ports provide an explanation. Duluth-Superior trade flows are primarily grain and coal exports from the Midwest and Western states. These commodities are low value, high tonnage. Thus, an ad valorem tax on these commodities costs less than a tonnage tax. The situation is reversed for ports like New York which basically ship high value manufactured goods. In those cases, a tonnage based fee is preferred.

The coal industry is an example of a group which effectively lobbied Congress against the implementation of a user fee. In fact, H.R. 6 indefinitely extended existing preferences to U.S. carriers for loading coal involved in coastwise traffic. Coal interests represented by specific coal companies and/or coal mining regions argued that a user fee would further reduce the competitiveness of western coal relative to eastern coal in any waterborne Midwestern market, such as Duluth-Superior.

The Great Lakes ports were particularly concerned with the type of user fee system the Reagan Administration sought to implement. The Lake Carriers' Association at a Maritime User Fees conference in 1983 expressed concerns over the competitiveness of Great Lakes ports in regards to other transport modes if a user fee were to be implemented. The president of the Association, George T. Ryan, stated at the conference that the "only competition to the water transport industry in shipping bulk raw materials on Great Lakes ports and inland waterways is the railroads. Despite this, the government has not included railroads in the new user tax plans" (University of Minnesota Sea Grant Program Conference, 1983, p. 28). Thus, one reason that groups such as the Lake Carriers' Association lobbied against the user taxes levied on the maritime industry was because the only other competitive transport mode serving the lakes states--the rail industry--would not be taxed.

Labor groups also reacted negatively to the idea of port user fees. Labor interests such as the Seafarers International Union, the International Longshoremen Association and the United Steelworkers of America protested the enactment of a user fee plan. These groups maintained that any increase in transport costs resulting from user fees would manifest itself in diverted or lost port traffic, decreased employment levels and other adverse regional economic effects.

H.R. 6 represents in large part a compromise. The .04 percent ad valorem tax is relatively conservative considering the Reagan Administration originally proposed a much higher level. Furthermore, the ad valorem user fee system is very much a political compromise. Smaller ports are more protected from trade diversions with an ad valorem tax

instead of a tonnage based fee. In this way, individual Congressional representatives will not have to deal with the eventual difficult constituent questions when small, inefficient (low volume) ports close as the effects of user fees and market consequences become apparent. However, a compromise resulting from a final consensus between House and Senate was reached in part due to last minute political maneuvering within the Senate Finance Committee. When the legislation cleared the House and Senate Public Works Committee in early october 1986, it seemed headed towards rapid approval. However, it was waylaid in the House Ways and Means Committee.

The Chair of the House Ways and Means Committee was Dan Rostenkowski, a Democrat from Illinois. The Ways and Means Committee had pushed the Senate Finance Committee to approve of reconciliatory budget provisions. As the Senate Finance Committee moved to negotiate and approve the revenue and tax issues in H.R. 6, Rostenkowski as Ways and Means Chair, refused to relinquish control over the bill without first moving on the overall budget reconciliation. Rostenkowski then used H.R. 6 as a bargaining chip. Thus, by controlling the Committee agenda, Rep. Rostenkowski forced the Senate Finance Committee to accept an increase in AFDC funding and the construction of a $32 million post office in his home district in Chicago.

CONCLUSION

The passage of the Waterways Resources Act of 1986 represents a fundamental change in the way that U.S. ports and navigable channels are financed and operated. The political atmosphere and economic climate of the early 1980's provided a favorable environment for the port user fee issue to come to the forefront of U.S. waterway resources debate. Note

that port policy is not mentioned in the prior statement. The passage of H.R. 6 was another attempt at formulating a better defined and more equitable relationship between the Federal government and U.S. ports. Yet the debate centered on cost-sharing formulas, user fee systems, and equity and efficiency arguments, without ever formulating a definitive statement of U.S. port policy. No criteria or approval processes were established to determine which ports will receive new funding and which projects take precedence over each other. Thus:

> "any new major port dredging will result from one of two determinants: (1) the ability of the individual port to convince Congress that its needs would receive first or highest priority; and (2) the ability of the individual port to find and secure non-federal funding sources" (Marine Board, et al., 1985, p. 9).

What has actually changed with the passage of the legislation? The Army Corps of Engineers will still be subject to pork-barrel funding, although possibly to a lesser extent than before. Congressional approval of new projects will still be subject to implicit logrolling and sectional favoritism. The federal funds appropriated for operation and maintenance services provided by the Corps may be decreased as the revenues from user fees become available. In addition, the requirement for cost sharing imposes financial compromise. The port user fee scheme enacted by Congress is a compromise as stated in the previous section. This compromise resulted in a user fee scheme which can neither meet complete cost recovery nor economic efficiency.

Deep draft ports are essential to the continued economic well-being of the U.S. However, current governmental structure in place today is willing to let U.S. port policy be determined as a result of market consequences. Issues such as port location, capacity and the timing of deeper draft ports

are too important to be left completely to market forces. A national policy on port development is still required.

H.R. 6 represents an undeniable turning point in the port and harbor regulatory funding framework. The structural shocks the legislation unleashes will definitely cause changes in the status quo and shifts in the long-term relationship between the Federal government and U.S. port interests. The extent to which these changes will transform the U.S. economy and transportation industry are yet to be seen.

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